G. R. S. IX-5]

Previous references.

G7 File No. 6-21

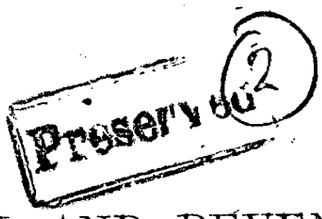
1921.

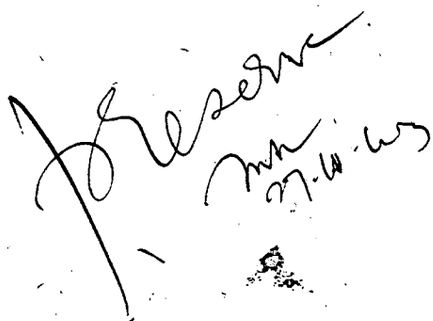
Serial Nos. 26, 27, 31, 39, 40

(G-7)

Later references.

G7 . 6-30-7, 18, 38+42





GENERAL AND REVENUE SECRETARIAT.

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(135)

Serial Nos. 5

Part B for July 1921

SUBJECT.

Concessions to Govt employees to subscribe to the new State Loan, and the facilities the Bank is prepared to offer to their constituents in repaying the loan.

P.28/E

Bank of Mysore
Notes.
1-10-

GENERAL AND REVENUE SECRETARIAT.

(Ep)

NOTES.

File No. 6-21

File Heading.
New Mysore Govt Loans Opn

From		
No.	Dated	Received

Diary No.	Enclos.	Spare Copies.	Serial No.

Brief Abstract of Letter.

	NOTES AND ORDERS.
(26)	To the manager Bk of Mysore.
	D.O no. 28. D. 9.7.21
	forwards copy of letter granting concessions to Govt Employees to subscribe to the Loan & enquires what facilities the Bank is prepared to offer to Co-operative Societies

Notes—First Sheet.

27. From Mr. Rice
D.O Dated 15.7.21
forwards his reply thereto

WD 1232—GPB—20,000—18-11-16

Serial No.

4

I had addressed Mr. Rose regarding the facilities which his Bank is prepared to offer for encouraging investments in our loans. His reply received today is herewith put up.

It would appear from his letter that the Bank does not propose to invest any more of its own money in our loans. The Bank subscribed for Rs.10 lakhs of our last loan and he does not say whether he proposes to convert even this holding into the 6½ per cent. loan. If the Bank avails itself of the concession of conversion into the 6½% loan, we shall get a cash subscription of Rs.3,75,000. We may just make an enquiry as to what is the intention of the Bank in this respect.

On the previous occasion, the Bank was, after a great deal of persuation, induced to allow unmatured fixed deposits with it to be transferred to the loan without imposing any disability upon the depositors. Whether the Bank will allow the same arrangement on this occasion is not mentioned in Mr. Rose's letter. Transfers of fixed deposits to the loans at the option of depositors should be permitted by the Bank and I believe there will be no objection to adopt the arrangement followed last year. We may make an enquiry in this respect also.

Mr. Rose says that the Bank should not be compelled to make advances to applicants recommended by

Serial No.

Deputy Commissioners. He fears that a lot of scrip -- purchased on behalf of such applicants will be thrown on his hands, as, he states, has been the case in regard to the last loan. We did not compel the Bank to make advances on the last occasion to any class of -- subscribers. The Bank is quite free to lend only to such subscribers as are considered by it to be approved -- customers.

Mr. Rose proposes to demand as much as ten per cent. as initial cash deposit and this condition he -- imposes with a view to weed out 'weak' applicants. As I have stated above, there is no obligation resting upon the Bank to make advances for encouraging investments in the loan to any but approved customers. When advances are limited to such customers, there is no reason why the condition in respect of intial deposit should be made so exacting. To demand ten percent. would scare away many subscribers. For advances to be made by Government to their employees, I have proposed 4 per cent. in the case of the 7% loan and 1½ per cent. in the case of the 6½% loan. These rates may also be adopted by the Bank and we may suggest them for its consideration.

Mr. Rose proposes to recover advances made by the Bank in 18 months and this condition is also somewhat exacting. The usual period allowed for repayment is

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G. R. S. III-21

General and Revenue Secretariat. | File No. 6 of 1921

Serial No.

is two years, as was done by the Bank itself on the last occasion. There is no reason why the concession should be made less attractive on this occasion, especially when, as I have stated above, the Bank need only advance money to 'strong' applicants. We may suggest the period of two years for the consideration of the Bank.

As regards the limit upto which the Bank is prepared to lend money to intending subscribers and the amount of Government balance to be left with the Bank, Mr. Rose makes certain proposals in the last but one para of his letter. This is the most important part of his communication, but his proposals are far from clear. It is necessary to obtain clear information about them.

A draft reply to Mr. Rose is put up.

DEWAN'S OFFICE.
Recd. on JUL 18 1921
Reg. No. 371

Dewan

16-7-21

Draft approved by Dewan
18/7/21

817

To Mr. V.R. Rose:
D.O. No. 282 dt. 20-7-21
Acknowledges receipt of letter dt. 15-7-21 requires
(1) whether the Bk has no intention of even converting their 6% holding into 6½% loans.
(2) whether it would not be possible to the Bank to adopt the same arrangement as that adopted by Govt. in respect of advances to the State Loan etc.

18/7

NOTE—Contn. sheet.

G. R S. III-2]

General and Revenue Secretariat. | GJ File No. 6 of 1924.

Serial No.	
39	From the manager Bank of Mysore.
	Do dated 22nd July 1921
	Forwards his replies to the enquiries made in Serial (31)

G. R. S. III-21

General and Revenue Secretariat.

G.F. File No. 6 of 19 21.

Serial No.

I put up Mr. Rose's reply to our letter of the 20th instant.

Para 1. Investment of Bank's own Funds.- I do not think we can relax the conversion conditions in the case of the Bank. Mr. Rose himself is not very sanguine in expecting any concession from us in this respect. It will be in the Bank's own interest to convert its 6¼ % holding into the 6½ % Loan and if it does, it has got to pay the additional cash subscription required by the notification.

As regards Mr. Rose's observation that he cannot obtain advances on our securities from the Imperial Bank, I may state that I have requested him to discuss this question with Sir Norcott Warren who is the senior Governor of the Bank and who is now at Bombay. I understand that Sir Norcott was consulted by the Government of India in regard to our proposal to include our securities in the list of those in which the Bank is authorised to deal according to its Act of incorporation and that he is partly responsible for the diplomatic and evasive reply which we have received from the Government of India. I have impressed upon Mr. Rose that the discussion of this question with Sir Norcott is as important a mission if not more than that of arranging to place our Loan on the Bombay market.

NOTE—Contn. sheet.

Para.2.

Serial No.

Para 2. Initial deposit for advances.-- Mr. Rose is very strong in insisting upon a higher cash percentage as initial deposit. Apparently, the experience of the advances made for the last loan makes the Bank much weeding out 'weak' applicants from the very beginning. There is no use further discussing the matter with the Bank. Mr. Rose says that the Bank is however prepared to be indulgent to the debtors who are in need of reasonable relief.

Para 3. Extent of Bank's advances and para 4. Advances for conversions.-- Mr. Rose is prepared to advance to intending investors, whether cash subscribers or applicants for conversion of the 5½ % and 6¼ % bonds to the extent of 20 lakhs and proposes that the amount so advanced be left with the Bank for a period of 2 years. Under the terms of our arrangement in regard to the last loan, we have to keep with the Bank a sum of 35 lakhs - as settled by the Comptroller after a great deal of personal discussion with Mr. Rose - until October 1922 and according to the arrangement now proposed by Mr. Rose and if a sum of 20 lakhs is advanced on this occasion, we shall have to leave with the Bank 35 lakhs until October 1922 and 20 lakhs for another year. Mr. Rose's proposal so far is fair. The recovery of the advances made by the Bank will be spread over about 18 months and making allowance for defaults delays

NOTE—Contn. sheet.

Serial No.

delays and extensions of time allowed by the Bank, a period of about 2 years should be taken as necessary for completing the recovery of advances. Instalments will no doubt be recovered from month to month and if the Bank keeps the money for a period of 2 years, it gets the use of a varying amount equal to the maximum only at the close of the period. As under our general agreement with it, the Bank has to pay interest upon our balances for half the year it ~~it~~ does not also get the money free of cost.

Para 5. Advances in excess of 20 lakhs.-- In the event of the demand for advances exceeding 20 lakhs, the Bank is prepared to meet it on condition that such excess is treated in the same way as the 20 lakhs referred to above. There is no objection to this arrangement also.

Para 6. Bank's Fixed Deposits.-- Mr. Rose states that the Bank will allow the transfer of fixed deposits to the Loan but proposes that such transfer should be considered as having been made against ~~out of~~ the limit of 20 lakhs. This condition, I consider, is somewhat exacting. If a depositor chooses to make an investment in the Loan, the Bank ought reasonably to treat the transaction as a simple withdrawal of the deposit. But there is this thing to be said in favour of Mr. Rose's contention that in the event of heavy transfers of

fixed

Serial No.

fixed deposits to Loans and also of our withdrawing the loan subscriptions in large amounts from the Bank, the position will be rendered embarrassing to it, as it will not be possible for the Bank to call up its loans and advances to meet Government demands. Such a contengency can only arise if the transfers are on a large scale, in which case, we shall have to come to some arrangement with the Bank and this may be considered later on. Mr. Rose himself refers to this point by stating that the need for help will arise only "if circumstances should make such a course obligatory".

Broadly speaking, the arrangement in regard to the amount to be left with the Bank will, according to Mr. Rose's proposal, be this. If the total amount advanced by the Bank is less than 35 lakhs, we shall have to keep with the Bank 35 lakhs until October 1922 and the reduced amount for a year longer. If, however, the amount of advances exceeds 35 lakhs, the higher limit will operate for 2 years from 1st October 1921. It will be seen from this that the exact amount to be left with the Bank will depend upon factors yet to be ascertained. In our present communication to the Bank, I think, it will be sufficient to indicate the lines on which we are prepared to settle this question.

A draft is accordingly put up. As the Bank has immediately to advertise the terms and conditions

NOTE—Contn. sheet.

Serial No.

on which it will make
~~and~~ advances, our reply has to go at once. The draft

kindly be approved for issue.

D e w an.)

23.7.21

Draft approved by the Dewan

24.7.21

Some draft at once

Letter issued

40. Letter No. F 423.3 25.7.21

25.7.21

Copy of the letter with
Mail of Mr Noris letter
may also be sent to Comptr.
for his confidential

18

25/7

Copy sent

Copy

No F 443
of 26/7/21

NOTE—Contn. sheet.

No. 23.

9th July

Dear Mr. Rose,

I send herewith a copy of the Loan Order which was published to-day. Government propose to accommodate their servants with advances for subscribing to either of the loans and to charge interest at the rate of 6¼%. This was the rate adopted last year both by Government and by your Bank. It is desirable not to increase this rate as it is necessary to afford inducement in the form of a little difference in favour of the subscriber, between the rate at which he can borrow and that at which he can invest.

Referring to our conversation of some days ago in regard to the conveniences, which it will be possible for the Bank to offer for encouraging investments in the Loan, I am to state that the Government will be glad to hear from you on the subject.

Yours sincerely,

To

W. C. Rose, Esq.,
Manager of the Bank of Mysore, Ltd.,
Avenue Road, Bangalore City.

to invest its funds in Government securities of a non-negotiable nature. From our past experience it is necessary that full liberty must be allowed to the Bank to decline to make advances to applications submitted through Government District Officers, as we are now compelled to take up, on our own account, a large block of bonds of the 6½% Loan on which the initial deposit of 3% only, or one or two instalments only, have been paid by moffussil applicants. To guard against any such repudiation in the future it is obligatory to raise the initial deposit to 10% of the face value of the Bonds applied for, in the case of applicants approved by the Bank, and for applications received through the District officers, the Bank will pay over to Government, at the end of each month, the full instalment amounts recovered from such applicants until the payments aggregate 15% of the face value of the loan applied for when the balance outstanding will be advanced by the Bank and paid to Government.

To enable the Bank to provide facilities to subscribers to the new loans some arrangement with Government on the lines now in force, or (b) the extension for a further two years of the date for repayment of the present amount deposited by the Government in the

in the Bank is necessary. Under alternative (b) the Government would have the benefit of obtaining all the fresh money advanced by the Bank to the extent of about 20 lacs, i.e. the investment in the new loans of the present Government funds to the extent of 35 lacs, less the amount at present outstanding in advances against the 6¼% Bonds, and for subscriptions in excess of this amount Government would be paid the full amount received monthly by the Bank from applicants desirous of taking up the loans on the instalment system. If the Bank is however to take upon itself the liability for recovering the instalments due on advances in excess of the 20 lacs above referred to, then it is necessary for Government to execute a similar agreement to that entered upon with this Bank in the case of the flotation of the 6¼% Loan. The locking up of a large portion of the Banks own funds returning only 6¼% is impracticable.

I enclose a copy of our condition for advances fully detailed, and which I hope will be considered sufficiently attractive.

Yours sincerely,

M.N.Krishna Rao Esq.,
Financial Secretary,
Government of Mysore,
Bangalore.

17

THE BANK OF MYSORE, LIMITED.

Advances against Government of Mysore 7 per cent. ten year Bonds, and 6½ per cent., 30 Year Bonds.

The Bank is prepared to give advances to approved constituents who wish to subscribe to the above on the following terms until further notice :----

1. No application to be under Rs.100 face value.

2. The Bank will advance 90% of the amount applied for, the borrower paying the remaining 10% at the time the application is made.

3. The borrower must undertake to pay the advance by monthly instalments of not less than 5%. Thus, if a borrower applies for Rs.500 Bonds he will require to make an initial payment of Rs.50 and regular monthly payment of Rs.25 for 18 months.

4. The rate of interest to be charged quarterly on the advance will be 6¼% plus incidental Expenses

5. Borrowers are at full liberty to repay advances earlier than is indicated above.

6. In the event of a borrower failing to pay any monthly instalment the Bank reserves to itself the right to ~~demand~~ demand payment of the advance, and on failure to make such payment to sell the securities, and pending such sale interest at 9% per annum to be payable to the Bank for the period the instalments are overdue.

7. The Bonds will be held by the Bank as security for the advance

8. The Bank will at all times give a preference to borrowers tendering the Bonds as security.

9. No additional advance will be made against instalments paid, nor will part withdrawal of bonds be permitted before the full amount of the advance is repaid.

THE BANK OF MYSORE, LIMITED

Advances for conversion of the Mysore Government 6¼% Loan 1920-1940 into the 6½% 1921-1951 Loan.

The Bank is prepared to give advances to approved constituents who wish to convert their holdings to the above on the following terms until further notice:---

1. No Bonds for conversion to be under Rs.250/- face value.

2. The Bank will advance 34% of the face value of the Bonds to be converted, the borrower paying the remaining 3½% at the time the application is made.

3. The borrower must undertake to repay the advance by monthly instalments of not less than 5% of the face value of the bonds to which the cash payment of 37½% Entitles him. Thus if a borrower wishes to convert bonds of Rs.250/- he will require to make an initial payment of Rs.8-12-0, and regular monthly payments of Rs.5/- for 17 months.

4. Conditions Nos.4 to 9(Above) will also be applicable to borrowers under this arrangement.

Draft. No R 2829 20 July 21

G.O. 6-21-1/31

19

To

W. C. Rose, Esq.,
Manager of the Bank of Mysore, Ltd.,
Bangalore City.

Dear Mr. Rose,

I have received your D.O. of the 15th instan and thank you for it. It would appear from it tha the Bank does not propose to invest any of its own mon in either of the loans. May I know if there is any intention of even converting the 6¼% holding of the Bank into the New 6½% Loan?

As regards the terms on which the Bank is prepared to make advances for enouraging investments in the loans only two of them call for remarks. I quite agree with you that the advances should be confined only to applicants approved by you. When they are so limited, is it not unnecessary to demand as much as 10% as initial cash deposit? I am afraid the rate is rather high and is likely to discourage investors. For advances to be made by Government to their employees, it is proposed to require 4 per cent. in the case of the 7% loa and 1½% in the case of the 6½% ~~Loan~~ issue, as initial cash deposits. The balance left in the case of both loans is 96 per cent which amount can conveniently be recovered in 24 monthly instalments of Rs.4 each. Would it not be possible for the Bank t adopt the same arrangement?

The other condition is about the period over which the recovery should be spread and as two year were allowed by you on the last occasion, I do not think the Bank would make the concession less favorable on this occasion.

The Bank was good enough on the last occasio to allow its fixed deposit holders to transfer thei holdings into the loan if they chose to do so by permitting them to break up their deposits and allowin interest on them upto date of transfer. I believe the Bank will allow the same consideration on this occasion also.

I do not quite follow your proposals in the last but one paragraph of your letter regarding the limit upto which the Bank is prepared to make advances to intending subscribers and the amount of loan subscription to be retained by the Bank and the period during which it should be left with it. I quite see that the Bank cannot be expected to pay over to Government the entirex amount of the loan subscribed out of the advances made by it, when the recovery of such advances is spread over a period of two years. Is it necessary to complicate the problem by considering in this connection, the amount of the last loan to be left with you?

I do not also quite follow your reference to the lockup of the Bank's funds in the 6¼% Bonds in the last sentence of the penultimate para of your letter and I shall thank you to make it clear

Yours sincerely,

16-7-21

(Financial Secretary)

18-7-21

Rec'd on 23-7-21

The Bank of Mysore Ltd.

TELEGRAPHIC ADDRESS:-
"MYSOREBANK."
CODE – 5TH EDITION A.B.C.

All communications to be addressed
TO THE MANAGER.

476-21-39

Bangalore, 22nd July 1921

No. D.O.

Dear Mr. Krishna Rao,

I have your D.O. of the 20th inst. No.F.L.282/G.F. 6-21-31 in reply to mine of the 15th instant containing the terms and conditions on which the Bank is willing to offer advances to the public for encouraging investments in the New Govt. Loans.

1. INVESTMENT OF BANK'S OWN FUNDS.

Unless you can see your way to allow some concession to the Bank in the matter of conversion, after you have succeeded in securing all your requirements from the Public, I fear the Bank has no option, but to convert its present excessive holdings of 6¼% Bonds into the new 6½% Loan, thus involving a further lock up of its slender resources to the extent of about 4 lacs. The Bank of Mysore's position is a very difficult one. It not only finds that it cannot obtain advances on the security of the Mysore Government Promissory Notes from the Imperial Bank but it is locking up funds which are so necessary, and already insufficient, for the financing of the Trade of the State during the busy season.

2. INITIAL DEPOSIT FOR ADVANCES.

The margin of 10% which I have fixed may appear high in comparison to the 4% you are asking from Govt. officers, but there is this difference viz. that you have the salaries of your officers in your own hands, and a regular 4% repayment is thus practically guaranteed to Government, but in the Bank's case, defaulters have to be sued, and the Bank cannot very well take legal action against its numerous defaulters for any deficiency that may arise from an open sale of their 6½% holdings at current rates reported to range from 70 to 90%! Besides, if an applicant for Rs.100 bond cannot pay the initial deposit of Rs.10, and Rs.5 for 18 succeeding instalments, surely he had better be allowed to put his small saving in the Savings Bank, and purchase a Government Bond of the required denomination when he is in a position to do so.? I venture to think that the Bank by demanding a 10% deposit is doing a service both to the Government and the small investor by preventing a repetition of the present wholesale sacrifice of 6½% Bonds of Rs.12½ denomination at Rs.8 or 9 each, and also giving a better stability to the loans by placing them in the hands of strong holders at the outset. The Bank is, however, not likely to act harshly in the case of parties who have regularly paid their instalments, and if so desired the Bank will always be prepared to allow an extension of time within reasonable limits.

23

3. EXTENT OF BANK'S ADVANCES.

The matter of the extent to which the Bank is prepared to grant advances will obviously be governed by the loss it may suffer from withdrawals of deposits from investment in the new loans, and subject to no serious drain, I can from my present available resources offer to make advances to the public for about 20 lacs. I would like to point out here that the Bank, by its promise to investors in these Loans, to grant them preferential advances at all times, assumes an unknown liability, but one for which some allotment of funds is necessary. For advances to be made by the Bank to ~~xxx~~ investors in the new loans, to this 20 lacs extent, the Bank will credit, and place at the disposal of Government, the issue price of the Bonds taken up by the public, the recovery of which will under favourable circumstances entail a period of about 2 years. Under such an arrangement 15 lacs of Government funds of the original deposit would be payable in October 1922, less the amount of advances for conversions as referred to below, and Rs.20 lacs, or the extent of our fresh advances, will be payable in October 1923.

4. ADVANCES FOR CONVERSIONS.

It must be remembered that our present outstanding advances, against the 6½% loan will not be realised in full before October 1922, and to those constituents who have paid up 50% of their instalments the Bank will further advance the

necessary amount required to secure conversion into the 6½% loan on the terms stated in my letter of the 15th July 1921. If all our debtors agree to convert, it will represent a sum of Rs.6 lacs to be found by the Bank, as above referred to, and with necessary extension of time for the repayment of such advances to October 1924.

5. ADVANCES IN EXCESS OF AGREED LIMIT.

For advances in excess of the 20 lacs referred to in para 3, the Bank would expect Government to allow such monies to remain with the Bank for the full currency of its advances i.e. on terms similar to last year's agreement. The reason why I suggest an extension of the time for the repayment of the 35 lacs, to the extent of the proposed fresh advances plus the conversion advances, is because the position would otherwise be that the Bank would retain for two years all fresh monies to be advanced ~~by~~ to investors purchasing the new bonds, as well as the retention of the 35 lacs till October 1922, its present due date. If you, however, think my proposal complicates the matter I have no objection to accept last year's agreement for this year's advances also.

6. BANK'S FIXED DEPOSITS.

The Directors will no doubt be agreeable to allow our constituents to withdraw before maturity the amount of their fixed deposits for investment in the new loans, but such

withdrawals must be considered as a cash subscription by the Bank, and also reducing pro tanto the extent of our advances as referred to in para 3, if circumstances make such a course obligatory.

Yours Sincerely,

M. N. Krishna Rao Esq.,

Financial Secretary,

Government of Mysore,

BANGALORE.

Draft.

No. 9E 423 26

57. 6-21-40.

25 July 24

To

The Manager,

Bank of Mysore, Ltd., Bangalore.

Dear Sir,

With reference to your D.O. of the 22nd instant, I am desired to state as follows:

2. Advances to intending investors in the new loans for cash subscriptions or for conversion of their holdings may be made on the terms and conditions proposed by the Bank. The favour of very early action for notifying them is requested.

3. Government gather from your letter that there will be no objection on the part of the Bank to accommodate intending investors to the extent there is demand for even if it exceeds 20 lakhs. Government are prepared to leave with the Bank the amount of the advances made during the time they are under recovery. As proposed by you, the period for purposes of this calculation may be taken at 2 years. ~~As to~~ How the amount to be left under this arrangement should be considered in relation to the balance of 35 lakhs to be kept until October 1922 may be settled after the amount advanced by the Bank ~~will be known~~ is known.

4. Government are glad that the Bank will allow fixed deposits with it to be transferred to the Loans at the option of depositors. As stated by you, the question of affording any relief to the Bank owing to the withdrawal of deposits need be considered ~~xxxxx~~ only if the transfers are so heavy as to cause embarrassment to the Bank.

Yours sincerely,

24.7.21

Copy to Comptr

23.7.21